

OPERATING BUDGET INSTRUCTIONS, PART 1

Strategic Plans and Performance Measures

2007-09 BIENNium



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About the Instructions

The 2007 - 09 Budget Instructions are in two parts

The 2007-09 Operating Budget Instructions will be issued in two parts:

Part I: Strategic planning and performance measure guidance

Part II: Operating budget request instructions
(Targeted for release in April 2006)

Look for the sign to find items required for submittal

The Part I Budget Instructions offer useful context information in addition to actual submittal requirements. Use this symbol to help find budget submittal requirements quickly.

Timeline of major budget events over the next year

For general planning purposes, here is the timeline of the major budget events in preparation of the Governor's 2007-09 budget.

Fall 2005	<ul style="list-style-type: none">2007-09 Part I Budget Instructions issuedPOG Result Teams convene to refine indicators and identify budget focus areas
September 30, 2005	<ul style="list-style-type: none">Agency request legislation proposals with no fiscal impact due to the Governor's Executive Policy Office
October 17, 2005	<ul style="list-style-type: none">2006 Supplemental Budget requests due to OFMAgency request legislation proposals with fiscal impact due to the Governor's Executive Policy Office
February 2006	<ul style="list-style-type: none">Targeted budget instruction letters sent to agencies
April 2006	<ul style="list-style-type: none">2007-09 Part II Budget Instructions and Capital Budget Instructions issued
May 1, 2006	<ul style="list-style-type: none">Strategic plans due to OFM
Late August – early September 2006	<ul style="list-style-type: none">2007-09 budget requests due to OFM
August – November 2006	<ul style="list-style-type: none">POG Result Teams convene to develop prioritized purchase plansOFM and Governor's budget review
November – December 2006	<ul style="list-style-type: none">Final budget decisions



SECTION 1

Strategic Plans

1.1 The strategic framework for budget decisions

The agency strategic plan provides answers to key strategic and management questions

Where are we today? Where do we want to be? How do we close the gap? A successful agency needs to develop thorough answers to these critical questions. The agency strategic plan provides a means to communicate these important components with people inside and outside of the agency.

Q. Where are we today?

- A. - Mission statements
- Statutory references
- Measures and assessment of current performance
- Assessments of the environment, capacity and finances

Q. Where do we want to be?

- A. - Vision statements
- Goals, objectives, and performance targets

Q. How do we intend to close the gap between where we are and where we want to be?

- A. - Strategies and Activities
- Business and financial plans

Agency plans should support the statewide strategic direction framed by POG and GMAP

The Priorities of Government (POG) process builds a strategic direction for Washington State government. It starts with four basic questions:

- What are the results that citizens expect from government?
- Are we making progress toward those results?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?

Agencies should use their Government Management and Accountability Performance (GMAP) process to continuously evaluate - and improve the effectiveness of - the strategies selected through the POG process. GMAP helps us identify better ways to

achieve results, and gives us important information for subsequent prioritization efforts.

Most agency strategies and activities will support these statewide strategies and contribute to the achievement of statewide results. Agency strategic plans should describe these connections.

Results that citizens most expect from the statewide strategic framework

Ten statewide results - results that citizens expect most from government - serve as the state's strategic framework. The Priorities of Government (POG) process has identified high-level indicators for each of these results. Information about these indicators can be found on OFM's web site at <http://www.ofm.wa.gov/fiscal/pog/indicators/default.htm>. (Agencies can also now view indicators on performance progress reports from the Enterprise Reporting System.) The POG teams also identified key strategies that most contribute to results; their reports are available at <http://www.ofm.wa.gov/budget/pog/pdf/pog-screen.pdf>. As POG continues, more statewide indicators will be developed to identify expected results of these strategies.

Statewide Results
<ol style="list-style-type: none"> 1. Improve student achievement in elementary, middle and high schools 2. Improve the value of postsecondary learning 3. Improve the health of Washington citizens 4. Improve the security of Washington's vulnerable children and adults 5. Improve the economic vitality of businesses and individuals 6. Improve statewide mobility of people, goods, information and energy 7. Improve the safety of people and property 8. Improve the quality of Washington's natural resources 9. Improve cultural and recreational opportunities throughout the state 10. Improve the ability of state government to achieve results efficiently and effectively

Strategic plan information is crucial for statewide investment decisions

The budget is one of the most important tools for implementing policy and achieving results. In its review of agency budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest?
- How do we know we are purchasing these activities at the best possible price?
- Given financial or other constraints, how can we best achieve the results that citizens want?

The agency strategic plan and activity inventory information should help answer these questions. Agency budget requests should be anchored to the strategic plan and clearly support implementation of the strategies and achievement of performance targets.

The best budget proposals are persuasive not only at the agency level but within the broader statewide context that OFM and the Legislature must consider in making decisions. Proposals that discuss the value and benefits of the outcomes they intend to deliver to the state will make a stronger case for funding.

1.2 Agencies must submit a strategic plan

Submit a strategic plan by May 1, 2006

Agencies must submit a strategic plan by May 1, 2006. The goals and strategies proposed for the 2007-09 Biennium should be the basis for an agency's 2007-09 operating and capital budget requests. The plan must cover at least a five-year period (Fiscal Years 2007-2011), and we encourage agencies to consider trends and strategies through Fiscal Year 2013.

We recognize that circumstances in agencies are continually changing and that any plan will be based on the best available information at the time. Much of the strategic plan information is most valuable to OFM at the beginning of the budget development cycle. We, therefore, would like to have the best strategic information available in the spring, even though some of the elements described in the plan may change by the time the budget is submitted. OFM will post the agency strategic plans on the internet.

What are the required components of the strategic plan?



Ideally, the agency strategic plan is created through a data-informed process that begins with an assessment of the internal and external environments. The product of this assessment is an inventory of internal strengths and weaknesses, and external barriers and opportunities. From this analysis, the agency can identify the critical issues, risks, obstacles, and opportunities that must be addressed through strategies implemented during the period covered by the strategic plan.

While agencies may prepare more detailed plans for their internal use, the strategic plans submitted to OFM must contain the elements listed below.

- ***Mission statement*** An agency's mission statement describes its reason for existence in general terms that capture its unique purpose and functions. It typically describes the organization, what it does, why it does it, and for whom. (Refer to Appendix A-1 for examples.)
- ***Listing of statutory authority references*** Please provide a brief reference to the enabling legislation and statutes that authorize the establishment and operation of agency programs.
- ***Goals*** Goals are broad, high-level, issue-oriented statements of an organization's desired future direction or the outcomes that they strive to achieve. Goals elaborate on the organization's vision statement, articulating the overall expectations and intentions for the agency. They should fit well with the mission statement and values, and answer the question, "What do we need to achieve to carry out our mission?" (Refer to Appendix A-1 for examples.)
- ***Objectives*** Objectives break down goals into smaller, more specific pieces. They describe the measurable results an agency is expected to accomplish within a given time period. (Refer to Appendix A-1 for examples.)
- ***Performance measures*** Agencies must propose at least one performance measure for each major activity in their activity inventory. (Refer to Section 2.1 for more information about performance measures and Appendix A-1 and A-2 for examples.)

▪ **Strategies**

Strategies are statements of the methods for achieving goals. While goals and objectives state what the organization wants to achieve, strategies state how goals will be achieved. Strategies guide the activities that the agency uses to achieve goals and objectives. (Refer to Appendix A-1 for examples.)

For each strategy:

- Describe the strategy and its connection to achieving both agency goals and statewide results.
- Please note any agency activity (as defined in the agency activity inventory) that is critical to implementing the strategy.

If a strategy is expected to produce short- or long-term cost savings to the state, please be sure to include this information in the description of the strategy.

Other planning documents will influence strategies in the agency strategic plan. For example, the agency's sustainability plan required by Executive Order 02-03 should be considered when developing strategies. Please note any strategies in the plan that support established multi-agency plans (i.e., Salmon Recovery Strategy).

▪ **Performance assessment**

The strategic plan tells the story about how the agency plans to bridge the distance between where it is today and where it would like to be in the future. The performance assessment identifies performance gaps the plan should address. Please review your most recent performance measure information and include an analysis of the performance measure gaps. The analysis should address the following questions:

- If your actual performance is different than expected at this point, why?
- What is the agency learning from its internal GMAP process? Has your performance evaluation identified emerging issues, changing needs, or performance improvement opportunities for the next biennium?
- How do your performance results compare to those of other similar organizations, or to recognized industry standards? If your agency's performance differs significantly from the top performers or the industry standard, what factors account for the difference in performance?
- In those cases where performance targets have not been met, how will the agency try to close performance gaps?

▪ **Appraisal of external environment**

It is important for budget and policy decision makers to understand the environment in which the agency's activities must operate, and to assess the impact of external forces on the agency's ability to realize its objectives or that may have implications for budget proposals. For example, it is helpful for agencies to address the following questions:

- How do potential changes in the economy affect clients or demand for the agency's services?
- Are populations the agency serves growing at rates significantly different than the expenditure limit growth rates?
- What potential partners exist in the external environment and how could they enhance our ability to get the results?
- What other risks and barriers could affect capacity?

The agency should identify any significant effects that the external environment has on the agency and its activities. Here are some sample topics and resources that may be relevant to your assessment:

○ **The national, state, or local economy**

- *Possible source:* Office of the Economic and Revenue Forecast Council's quarterly economic and revenue forecasts, which are available at:
<http://www.erfc.wa.gov/home.htm#Economic%20and%20Revenue%20Forecast%20Publications>

○ **Population, demographics, client characteristics, and caseload trends**

- Is the agency experiencing trends in customer characteristics or demographics that might indicate the need to modify services and/or service delivery methods?
 - What are the needs, preferences, and expectations of the agency clients?
 - Is the client population growing?
 - Are there better ways to reach and provide services to clients to meet their expectations?

- *Possible source:* Office of Financial Management's population, demographic, economic, and other trend data, with links to other entities with related data, which can be accessed at <http://www.ofm.wa.gov/forecasting/sitemap.htm>. The information on the Washington Trends page, particularly the budget driver section, is especially relevant. It can be accessed at <http://www.ofm.wa.gov/trends/index.htm>.
 - *Possible source:* Office of the Caseload Forecast Council's forecast and trend data for K-12 enrollment, social service caseload, and prison populations, is accessible at <http://www.cfc.wa.gov/>.
- **Assessment of trends in the service area, market, or industry**
 - **Changes in various environments**
 - Federal, state, and local governments
 - Trends and outlook for key issues such as access, possible changes in laws and regulations, cost escalation, funding and reimbursement patterns, taxation, debt
 - Executive, judicial, and legislative branch actions and trends
 - Public opinion
 - Authorizing environment and stakeholder expectations of the agency
 - Agency trends in meeting those expectations
 - **Major partners**
 - Are major partners, such as other state agencies, critical to key initiatives? What are each partner's responsibilities?
 - What are the trends affecting partners and the agencies' relationships with them? We strongly encourage agencies to coordinate with these major partners and with OFM on initiatives and plans during the budget development process.
 - Are there key dependencies and connections between activities in different agencies that budget decision-makers should understand?

▪ ***Assessment of internal capacity and financial health***

The external assessment provides important context for the obstacles and opportunities faced by the agency in pursuing its goals. In the assessment of internal capacity, the agency takes stock of its strengths and weaknesses as an organization, examining factors within the agency that can affect its ability to accomplish its mission, goals, and objectives. Here are some examples of items to consider in the internal assessment.

- How does the agency's staffing and organizational capacity compare with its tasks? Does the agency face recruitment, retention or other workforce challenges?
- Does the agency see a need or opportunity for changes in technology or service delivery methods?
- What capital facility changes will be needed in this time frame and why? Does the agency have pressing facility maintenance and operations needs?
- What technology investments will be needed in this time frame and why?
- Are there trends in revenue sources, fund balance changes, or cost pressures that may affect the agency's financial sustainability?
- What trends in supplier, contractor and other support services may affect the agency's ability to deliver results?

Agencies may find the Self Assessment tool, available from the Governor's Office of Management, Accountability and Performance, helpful in preparing this section of the strategic plan. Please contact Mary Campbell at mary.campbell@gov.wa.gov for more information.

Strategic plans should address capital and technology needs

The strategic planning process should identify emerging issues related to agency capital and technology needs. Changes in caseloads, customer expectations, agency strategies, facility or system age may create profound changes in an agency's facility and technology requirements.

Be sure that your strategic plan discusses the effects of your agency's strategy on these needs. **OFM will expect to see such a discussion included in the agency strategic plan before considering major capital or information technology investment proposals.**

The OFM Capital Budget Instructions will be issued next spring and will provide more information on budget submittal requirements and the expected links between the strategic plan and capital budget data.

DIS Technology Portfolio Management Instructions

The Information Services Board (ISB) has adopted information technology (IT) portfolios as the planning and management process for IT resources. The portfolio management process integrates agency strategic planning, technology planning, and the budget process. For the 2007-09 budget process, agencies making budget requests for IT investments should do so in the context of their IT portfolios and the enterprise initiatives of the state.

ISB policies regarding portfolio management are available at <http://isb.wa.gov/policies.aspx>. Agencies should contact their assigned DIS staff for assistance or additional information.

1.3 Additional guidance on the strategic plan

Is a specific format required for the strategic plan?

No. We simply would like the strategic plan to contain the required elements identified in Section 1.2. We recognize that agencies may display these and other elements in different formats.

Do all years of the plan need to contain the same level of detail?

No. The purpose of a five-to-seven-year strategic planning period is to generate some broad discussion of future trends and expectations. Therefore, we expect the description of the latter years in the strategic plan to be more general than that for the 2007-09 Biennium.

Where can I find state fiscal context information?

OFM will provide updated fiscal context information on the budget page of the OFM web site, <http://www.ofm.wa.gov/budget.htm>, throughout the year based on updates to economic, revenue, and caseload forecasts. This includes a six-year fiscal outlook.

The I-601 spending limit may affect your financial planning

Initiative 601 was passed by voters in November 1993 and revised most recently in the 2005 legislative session. The measure places limits on growth in expenditures in certain funds and on taxation and fees. Expenditure growth in the state General Fund, Health Services Account, Student Achievement Account, Public Safety and Education Account, and the Violence Reduction Drug and Education Account is limited annually to the fiscal growth factor.

The fiscal growth factor is defined as the average growth in state personal income for the prior ten fiscal years. The State of Washington Expenditure Limit Committee adopts the official fiscal

growth factor by the end of November each year. The most recently adopted factor can be found on the Committee's web site, <http://www.elc.wa.gov/>.

It is important to remember that these fiscal growth factors apply to the particular state funds in total and not to individual programs or agency budgets. **However, agency fee increases cannot exceed the fiscal growth factor unless there is legislative approval.**

The state debt limit may affect the way you prepare your budget proposal

The state's capacity to borrow money for certain type of capital construction is affected by how much the state can spend on debt service for general obligation bonds. This debt limit depends both on the amount of General Fund-State revenue collected and the cost of borrowing. The existing ten-year capital plan is based on assumptions of moderate growth in state revenues and slight increases in interest rates.

Contact your OFM budget analyst if you have questions

If you have any questions about whether your agency's strategic plan will satisfy the budget submittal requirements, please discuss them with your OFM budget analyst.

1.4 How OFM will use the plans in analyzing budget submittals

Strategic plans can offer important context for statewide prioritization

As part of the POG process, OFM will convene teams around each statewide result area to assist with various stages of budget development. The teams will assess trends, performance, opportunities, and risks in each result area and will advise OFM on the statewide strategies and activities most critical to achieving that result. Agency strategic plans could prove to be key resources to the teams' work.

How will OFM use plans and performance in analyzing carry-forward and maintenance levels?

The strategic plan should provide a clear picture of what the agency believes it needs to do to achieve its goals within identified constraints. It should tell the story upon which the financial plan is based. OFM analysts will compare the budget proposal with the strategic plan and try to answer the following questions:

- What is the agency required by statute to do?
- How will the agency know when it's successful?
- What performance is the agency achieving with current funding levels?
- What progress is the agency making toward its performance

targets with its current budget? Do its current strategies appear to be effective?

- What changes in external environment and customer characteristics are affecting the budget? Are caseloads and demands for services likely to change? Why?
- If the agency funding levels remain the same, would it be able to maintain or increase its performance?

How will OFM use the strategic plan and performance measure information in analyzing new budget proposals?

OFM will look to see if the strategic plan, the budget proposal description, and the proposed performance measures make the business case for any requested financial change. The information should help us answer the following questions:

- What changes in external environment, customer characteristics, internal capacity, or risks are driving this request? Has the agency clearly shown with supporting data that a problem exists that needs solving?
- What policy issues or decisions are driving the request?
- How does the proposal link to the agency's strategic plan, POG recommendations, and other relevant policy direction? Does it make sense in the context of POG or agency-identified direction, and achievement of articulated performance targets?
- Why is this change presented as an incremental increase instead of a reprioritization within the base?
- What is the priority of this proposed change compared to other proposals? Compared to existing activities funded in the base budget? What are the policy tradeoffs implied by this prioritization?
- How will this proposal affect other activities, agencies, and major partners? Have they been included in the development of this proposal?
- How does this proposal affect or relate to the agency's or Governor's request legislation?
- What data can the agency supply to show that the proposed solution will be effective? Can it be tracked as a performance measure?
- Does the projected performance return for this proposed investment seem feasible and does it seem compelling?
- How will this proposal enhance agency efficiency?

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- How does this proposal affect or relate to the agency's or Governor's request legislation?
- What data can the agency supply to show that the proposed solution will be effective? Can it be tracked as a performance measure?
- Does the projected performance return for this proposed investment seem feasible and does it seem compelling?
- How will this proposal enhance agency efficiency?
- Why this option and not others? What evaluation process led to this solution?
- If not funded, would an agency decide not to proceed or would it reprogram other resources?



SECTION 2

Performance Measures and Business Plans

2.1 Performance measures

Why is performance measurement important?

Performance measurement makes accountability possible. It attempts to ask and answer a simple question: “Are we making progress towards achieving our targeted results?” A credible answer to this question is backed by evidence, which come from performance measures.

Information about the effectiveness of an activity purchased in the budget is important to gauge whether the investment has proven worth the cost. Analyzing performance can help agencies and analysts learn about how to improve that performance and whether other strategies can contribute more toward activity and statewide results.

Agencies must include performance measures for agency activities in the strategic plan in May



Agencies must propose in the strategic plan at least one performance measure for every major activity that can be used to determine whether the agency is achieving or making progress toward the purpose of that activity and toward statewide priorities. For the most part, measures that tell the story about whether an activity is achieving its purpose will be found in the middle range of the logic model - measures of intermediate or immediate outcomes, and outputs. (Appendix A-2 provides an example of the logic model.)

Targets are due with the agency budget submittal in the summer of 2006

The strategic plan does not have to specify targets for these measures; performance measure targets will be due at the time the agency budget submittal is due. The Part II instructions will provide specific budget submittal dates for each agency and information about how to submit agency performance measure targets.

Review the current set of approved measures



Agencies already develop and monitor performance measures for a number of purposes. These instructions focus on the subset of performance measures most relevant to budget evaluation and results - measures that help explain the contribution agency activities make to agency objectives and statewide strategies. We fully expect agencies will develop and use other measures for management and other reporting purposes.

As you develop the measures that you will submit to OFM, please

use the current set of activity performance measures approved by your OFM budget analyst as the starting point. Determine whether these measures should be modified, replaced or supplemented.

Consider the following factors:

- Do these measures do the best job possible of describing the contribution - in terms of outcomes, outputs or efficiency - that these activities make to agency objectives and statewide results and strategies?
- Do you now have better information to improve this suite of performance measures?
- Are any of the measures used in your agency's GMAP forums appropriate to be included in the set of activity measures?
- Are there new strategies and initiatives in the strategic plan that call for new measures or the retirement of measures that are no longer relevant?

Agencies are encouraged to discuss their ideas for performance measure changes with their OFM budget analyst before submittal.

What are the features of a good performance measure?

A good activity performance measure:

- Indicates whether the activity is achieving its purpose or is contributing to statewide results
 - Immediate and intermediate outcome measures are preferable, although in some cases output and efficiency measures help to tell that story.
- Is reliable, accurate, and verifiable
 - Is the measure too broad? Can it be measured with enough accuracy for the data to be relied upon for decisions?
- Is understandable and relevant to citizens and stakeholders who may have little or no knowledge of agency operations
 - State the measure in clean and brief terms.
 - Do not use jargon or acronyms.
 - Use footnotes to clarify if necessary.
 - Remember that the measures will sometimes be sorted by result area, out of their agency context. Can the statement of measure be understood on its own?
- Is stated in positive terms (or in terms of the desired outcome)
 - For example, "increased compliance" is better than "reduced

- noncompliance.”
- Is connected to challenging, yet achievable targets
 - In the case of new measures, with no past experience on which to base a target, use literature searches, industry standards, comparable organization benchmarks, customer requirements, or other potential sources of comparison to set realistic targets.
 - Can be obtained at a reasonable cost and effort
 - Proxy measures are sometimes appropriate as ‘next best’ measures where it is not cost-effective or feasible to collect true outcome measures.

Where can I find help in developing performance measures?

The Governor’s Office of Management, Accountability and Performance, in conjunction with the Department of Personnel, is now offering workshops to build agency expertise in performance measure development. You can find information about these workshops at <http://www.dop.wa.gov/Employees/TrainingAndDevelopment/GMAP.htm> or by contacting Mary Campbell at mary.campbell@gov.wa.gov for other guidance on developing performance measures.

2.2 Business plans are required for some proprietary funds



Agencies with certain proprietary funds must prepare business plans



A proprietary fund finances the services it provides through user charges or on a cost-reimbursement basis. Sometimes the standard budget submittal information OFM requests cannot provide a complete picture of the operation of a proprietary fund. In these cases, agencies should provide additional business plan information with the budget submittal later in the summer. This additional information is only required for the agencies and funds listed below.

Business plan information is required for these funds	
Agency	Fund
Office of Administrative Hearings	484 Administrative Hearings Revolving Account
Office of the Attorney General	405 Legal Services Revolving Account
Office of the State Auditor	413 Municipal Revolving Account 483 Auditing Services Revolving Account
Department of Corrections	401 Correctional Industries Revolving Account
Office of Financial Management	419 Data Processing Revolving Account
Department of General Administration	422 General Administration Services Account
Health Care Authority	721 Public Employees' and Retirees' Insurance Account
Department of Information Services	419 Data Processing Revolving Account
Department of Labor and Industries	881 Supplemental Pension Account 883 Second Injury Account
Liquor Control Board	355 Construction and Maintenance Account 501 Liquor Revolving Account
Washington State Lottery Commission	577 State Lottery Account 578 Lottery Administrative Account
Office of Minority and Women's Business Enterprises	453 Office of Minority & Women's Business Enterprises Account
Department of Personnel	415 Department of Personnel Service Account 419 Data Processing Revolving Account 455 Higher Education Personnel Service Account
Secretary of State	006 Archives and Records Management Account
Department of Transportation	410 Transportation Equipment Account
Public Printer	420 Printing Plant Revolving Account

What additional business plan information needs to be submitted on May 1?

The more descriptive and strategic assessment components of the business plan are due with agency strategic plans on May 1. Business plan components most closely tied to budget estimates are due with the agency's budget submittal. The following plan elements are due May 1.

Business Mission What is the overall mission or purpose of the business?

Business Description Provide a brief description of the business enterprise:

- What does the business do?
- What is the market niche or competitive advantage of the business?
- What is the nature of the business product and/or services?
- In what manner are the products and services produced or provided?

Marketing Plan For each business line, describe or provide:

- Other organizations attempting to meet the same market need. Assess the strengths and weaknesses of the state business relative to other providers.
- The target market and customer characteristics
- The business' marketing strategy
- The key benefits and features of the product or service
- Sales or demand forecast
- Key changes in market trends or opportunities

Operational Production Plan This component of the plan explains how the business is going to operate and identifies the key activities that must be performed to meet customer needs. The plan also identifies what resources are necessary to meet and complete these transactions.

For each business line describe or provide:

- Facilities assessment
- Key equipment and technology requirements
- Labor requirements
- Management requirements
- Key supplies requirements
- Shipping/transportation requirements
- Quality control requirements
- Special workforce plans/programs
- Outline of daily operations
- Significant changes, challenges, or opportunities related to business operations

Performance Assessment	Provide the same performance assessment elements of the business outlined in the strategic plan requirements in Section 1.2.
Strategic Assessment	Describe the key problems and/or opportunities facing the business enterprise. Discuss key strategies the business is considering to address them.
Business Plan Requirements Due with the Budget Submittal	For each business enterprise, provide the following for the biennial budget period: <ul style="list-style-type: none">• Proposed pricing structures and strategy• Projected annual Statement of Revenues, Expenses, and Changes in Fund Net Assets with assumptions and notes• Projected annual Statement of Fund Net Assets• Statement of Cash Flows• A discussion of financial goals (annual sales, annual profits, current ratio, debt-net worth ratio, and other appropriate financial indicators and objectives) and any key financial requirements (i.e., working capital requirements)
<i>The financial plan</i>	If agencies wish to provide historical trend information for context, we encourage them to do so.
Performance estimates	Refer to Section 2.1 for the instructions and expectations regarding budget-related performance measures and estimates.



Appendices

A-1 Examples of strategic plan elements

Hypothetical Agency Strategic Plan - Department of Health

Mission: The Department of Health works to protect and improve the health of the people of Washington State

Goal: Reduce tobacco use among adults, pregnant women and children

Objective: Reduce proportion of current cigarette smoking among adolescents in 10th grade

Strategy: Conduct a statewide tobacco prevention and control program

Activity: Develop and implement a PSA program targeted at youth

Output Measure: Number of airings of youth-oriented PSAs per month

Immediate Outcome Measure: Percent of 10th graders who recall hearing or seeing an anti-tobacco commercial within the last month

Intermediate Outcome Measure: Percent of 10th graders who do not smoke

Outcome Measure Target or Estimate: Reduce proportion of 10th graders who smoke by 2 percent per year

Ultimate Outcome Measure: Percent of Washington citizens using tobacco

Operational Work Plan and Action Steps *(For illustration only; these are not required to be reported to OFM.)*

Teen Smoking Awareness Project	Responsible Party	Completion Date
Develop baseline survey of teen smokers and non-smokers		
Consultation with partners and stakeholders		
Secure contracts for PSA development		
Identify target markets		
Develop PSA and distribution plan with vendor		
Test PSA and pilot distribution		
Air PSAs in identified markets		
Conduct follow-up surveys		

A-2 The logic model and types of performance measures

The logic model provides the context for performance measures

Agencies will develop different types of measures to monitor outcomes and to manage their efforts. The logic model can help show the causal factors that link resources to results through activities, outputs and different levels of outcomes.

Activity performance measures most likely found in the middle range

For the most part, measures that tell the story about whether an activity is achieving its purpose will be found in the middle range of the logic model - measures of intermediate or immediate outcomes, and outputs. These are the performance measures that OFM is most interested in tracking through the biennium as a means of assessing the effectiveness of budget investments.

POG statewide strategy and result indicators reflect the upper level of the model

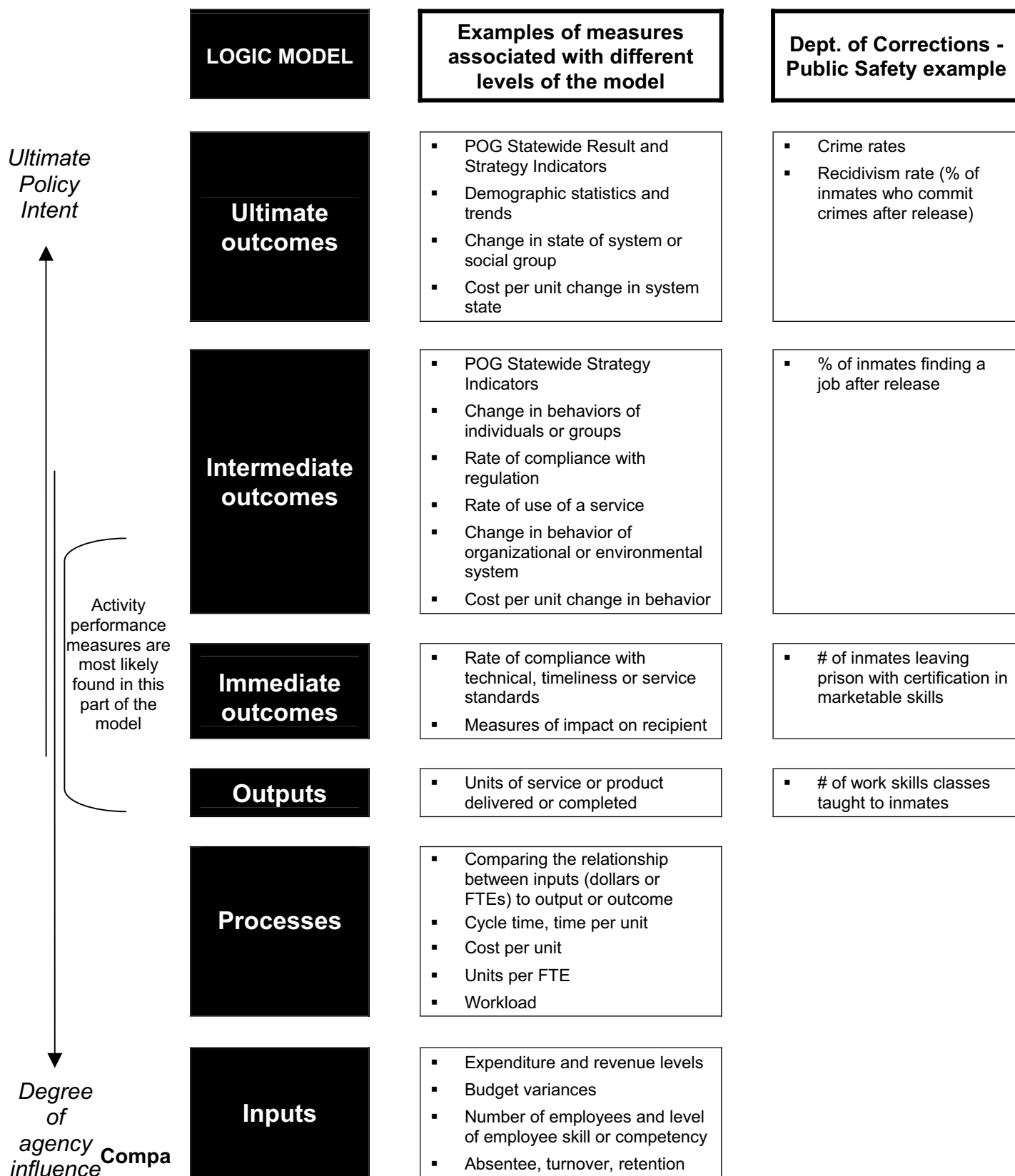
POG statewide result and strategy indicators are examples of “ultimate” and intermediate outcomes. The state budget system will now track these POG indicators, as well as activity performance measures.

GMAP

The Government Management, Accountability and Performance (GMAP) process will draw measures from all levels of the logic model to set context for decision makers and evaluate effectiveness of various tactics. Some of these will be exactly the same measures that are approved by OFM in the budget system. Other measures, particularly those lower on the logic model, may be a part of agency performance management systems and used in internal GMAP sessions, but might not be included in the agency strategic plan and will not be sent to OFM for tracking in the budget system.

The Office of Management, Accountability and Performance will periodically assess agencies’ internal GMAP processes and the measures used in those sessions.

Logic Model with Examples



Comparing Outcome, Output and Efficiency Measures

What It Does	Examples
Outcome Measures	
<ul style="list-style-type: none"> Shows the impact of agency activities on problems/issues they are designed to address Answers the question “What is different about the world?” Captures societal impact, changes in behavior, knowledge or attitude, customer satisfaction, or technical quality, or vital signs of a process (e.g. accuracy rate, turnaround time) Measure goals and objective attainment 	<ul style="list-style-type: none"> Overall employment rate Employment rate for job-training participants Percent of employers rating job-training program placements as “good” or “excellent” Job-training application processing time
Output Measures	
<ul style="list-style-type: none"> Shows the work accomplished Products and services produced Answers the question “What was done?” and “How did we get there?” Measures success of strategies 	<ul style="list-style-type: none"> Number of vehicle licenses issued Number of vaccinations given Number of students attending school Number of offenders housed in correctional facilities
Efficiency or Effectiveness (Process) Measures	
<ul style="list-style-type: none"> Shows relationship between inputs and outputs (efficiency measures), or inputs and outcomes (effectiveness measures) Answers the question, “What are the unit costs?” Can also be used to track timeliness of service delivery Usually expressed as a ratio, such as cost per unit, or units per FTE 	<ul style="list-style-type: none"> Cost per training class delivered Investigations per FTE Average cost per offender per day supervised Administrative cost per retirement benefit provided Time to process a permit